



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

September 4, 2007

The Honorable Christopher J. Dodd
Chairman
Committee on Banking, Housing and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Chairman Dodd:

For over one hundred years, the Government Finance Officers Association (GFOA) has led efforts to enhance and promote the financial management of governments for the public benefit. Today our 17,000 members represent cities, counties, towns, states, school districts, and other public entities across the United States.

Throughout its history, the GFOA has consistently encouraged governments to produce financial reports, disclosure documents, and budgets of the very highest quality and to make them readily available to all interested parties. For example, our Certificate of Achievement for Excellence in Financial Reporting Program (Certificate Program), which has been in operation since 1945, requires participating governments to issue comprehensive annual financial reports that go significantly *beyond* the basic requirements of generally accepted accounting principles (GAAP). Currently, more than 3,200 state and local governments participate in the Certificate Program. Moreover, the GFOA encourages governments to make their financial reports and budget documents routinely available on their web site, and links to many of these financial reports and budget documents can be found on the GFOA's web site (www.gfoa.org). Likewise, the GFOA spearheaded the effort that led to the development of the highly regarded *Disclosure Guidelines*, which have become the industry standard for the disclosure of information in connection with the issuance of municipal bonds. As for GAAP reporting, the GFOA literally "invented" GAAP for governments (starting with the release of its first "Blue Book" in 1936), and led the efforts that eventually resulted in the creation of the Governmental Accounting Standards Board (GASB) in 1984. In addition, for decades, the GFOA has taken a leadership role in promoting enhanced disclosure for investors.

Given the openness of the public-sector budget process (e.g., public-access television), easy access to audited comprehensive annual financial reports and detailed budget documents, mandated ongoing financial disclosures for the benefit of the secondary debt market, and mandated material events notifications for investors, the municipal debt market can only be described as having achieved a level of transparency that should make it the envy of its private-sector counterpart. Moreover, a substantial portion of municipal debt is backed by the full taxing power of the issuing governments, making default, for all practical purposes, virtually nonexistent. In light of these facts, we can only express our dismay at SEC Chairman Christopher Cox's recent essentially unsubstantiated assertions that the municipal bond market is somehow "broken" and his proposal to overlay one of the world's safest and most effective markets with a burdensome, costly, and ultimately futile layer of additional regulation.

Specifically, Chairman Cox proposes that the SEC oversee the GASB; that GAAP practices become mandatory; that an independent funding mechanism for the GASB be provided; and that additional disclosure responsibilities be imposed upon bond issuers. Chairman Cox cites a handful of dated anecdotes of questionable relevance to support his extreme proposals, while failing to mention the long-term, fundamental security of the market with a *default rate of less than one tenth of one percent* and a robust customer base.

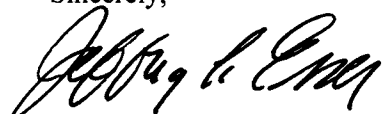
In his White Paper, *Disclosure and Accounting Practices in the Municipal Securities Market*, Chairman Cox claims that SEC oversight of the GASB is necessary because of “the lack of uniformly applied generally accepted accounting standards [sic] in the municipal market raises significant issues for investors and the market.” In fact, compliance with GAAP among municipal debt issuers is excellent. As noted earlier, participants in the GFOA’s Certificate Program are required to comply fully with GAAP, and to have that fact certified by independent auditors. Currently, more than 73 percent of cities and more than 48 percent of counties with a population in excess of 50,000 participate in the program. For cities with a population of more than 200,000 and for counties with a population in excess of 250,000, participation rates rise to 95 percent and 83 percent, respectively. Of course, total GAAP compliance must be even higher, given that some governments that issue GAAP financial statements (e.g., as often required by state law or regulation) choose not to participate in the GFOA’s Certificate Program.

The Chairman’s proposals can only be described as solutions in search of a problem. Unfortunately, needless regulation is more than a nuisance. The price of an additional costly layer of regulatory bureaucracy ultimately must be borne by citizens, who will suffer from the increased effective cost of borrowing. We think it is noteworthy that a number of Chairman Cox’s anecdotal “poster children” for regulation seem to better demonstrate the need for more effective SEC enforcement action than additional regulation. Accordingly, we suggest everyone’s time would be better spent focusing on how regulatory bodies could better use the tools they already have available to them to rid the marketplace of bad actors and practices.

In closing, it is ironic that Chairman Cox would choose the very moment that your committee is carefully reviewing the costs and benefits associated with implementing the Sarbanes-Oxley Act in the private-sector, to suggest a major expansion of regulation in the public-sector with no empirical data to support either the need for change or the likelihood that the proposed changes would have any substantial effect (other than to increase the cost of borrowing for state and local governments). Meanwhile, one clear fact remains: money spent on unnecessary regulation is money taken away from essential government services.

We look forward to talking with you and your staff about these important issues at your earliest convenience.

Sincerely,



Jeffrey L. Esser
Executive Director and CEO



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

September 4, 2007

The Honorable Barney Frank
Chairman
Committee on Financial Services
United States House of Representatives
2129 Rayburn House Office Building
Washington, DC 20515

Dear Chairman Frank:

For over one hundred years, the Government Finance Officers Association (GFOA) has led efforts to enhance and promote the financial management of governments for the public benefit. Today our 17,000 members represent cities, counties, towns, states, school districts, and other public entities across the United States.

Throughout its history, the GFOA has consistently encouraged governments to produce financial reports, disclosure documents, and budgets of the very highest quality and to make them readily available to all interested parties. For example, our Certificate of Achievement for Excellence in Financial Reporting Program (Certificate Program), which has been in operation since 1945, requires participating governments to issue comprehensive annual financial reports that go significantly *beyond* the basic requirements of generally accepted accounting principles (GAAP). Currently, more than 3,200 state and local governments participate in the Certificate Program. Moreover, the GFOA encourages governments to make their financial reports and budget documents routinely available on their web site, and links to many of these financial reports and budget documents can be found on the GFOA's web site (www.gfoa.org). Likewise, the GFOA spearheaded the effort that led to the development of the highly regarded *Disclosure Guidelines*, which have become the industry standard for the disclosure of information in connection with the issuance of municipal bonds. As for GAAP reporting, the GFOA literally "invented" GAAP for governments (starting with the release of its first "Blue Book" in 1936), and led the efforts that eventually resulted in the creation of the Governmental Accounting Standards Board (GASB) in 1984. In addition, for decades, the GFOA has taken a leadership role in promoting enhanced disclosure for investors.

Given the openness of the public-sector budget process (e.g., public-access television), easy access to audited comprehensive annual financial reports and detailed budget documents, mandated ongoing financial disclosures for the benefit of the secondary debt market, and mandated material events notifications for investors, the municipal debt market can only be described as having achieved a level of transparency that should make it the envy of its private-sector counterpart. Moreover, a substantial portion of municipal debt is backed by the full taxing power of the issuing governments, making default, for all practical purposes, virtually nonexistent. In light of these facts, we can only express our dismay at SEC Chairman Christopher Cox's recent essentially unsubstantiated assertions that the municipal bond market is somehow "broken" and his proposal to overlay one of the world's safest and most effective markets with a burdensome, costly, and ultimately futile layer of additional regulation.

Specifically, Chairman Cox proposes that the SEC oversee the GASB; that GAAP practices become mandatory; that an independent funding mechanism for the GASB be provided; and that additional disclosure responsibilities be imposed upon bond issuers. Chairman Cox cites a handful of dated anecdotes of questionable relevance to support his extreme proposals, while failing to mention the long-term, fundamental security of the market with a *default rate of less than one tenth of one percent* and a robust customer base.

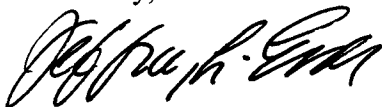
In his White Paper, *Disclosure and Accounting Practices in the Municipal Securities Market*, Chairman Cox claims that SEC oversight of the GASB is necessary because of “the lack of uniformly applied generally accepted accounting standards [sic] in the municipal market raises significant issues for investors and the market.” In fact, compliance with GAAP among municipal debt issuers is excellent. As noted earlier, participants in the GFOA’s Certificate Program are required to comply fully with GAAP, and to have that fact certified by independent auditors. Currently, more than 73 percent of cities and more than 48 percent of counties with a population in excess of 50,000 participate in the program. For cities with a population of more than 200,000 and for counties with a population in excess of 250,000, participation rates rise to 95 percent and 83 percent, respectively. Of course, total GAAP compliance must be even higher, given that some governments that issue GAAP financial statements (e.g., as often required by state law or regulation) choose not to participate in the GFOA’s Certificate Program.

The Chairman’s proposals can only be described as solutions in search of a problem. Unfortunately, needless regulation is more than a nuisance. The price of an additional costly layer of regulatory bureaucracy ultimately must be borne by citizens, who will suffer from the increased effective cost of borrowing. We think it is noteworthy that a number of Chairman Cox’s anecdotal “poster children” for regulation seem to better demonstrate the need for more effective SEC enforcement action than additional regulation. Accordingly, we suggest everyone’s time would be better spent focusing on how regulatory bodies could better use the tools they already have available to them to rid the marketplace of bad actors and practices.

In closing, it is ironic that Chairman Cox would choose the very moment that your committee is carefully reviewing the costs and benefits associated with implementing the Sarbanes-Oxley Act in the private-sector, to suggest a major expansion of regulation in the public-sector with no empirical data to support either the need for change or the likelihood that the proposed changes would have any substantial effect (other than to increase the cost of borrowing for state and local governments). Meanwhile, one clear fact remains: money spent on unnecessary regulation is money taken away from essential government services.

We look forward to talking with you and your staff about these important issues at your earliest convenience.

Sincerely,



Jeffrey L. Esser
Executive Director and CEO



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

September 4, 2007

The Honorable Richard C. Shelby
Ranking Member
Committee on Banking, Housing and Urban Affairs
United States Senate
534 Dirksen Senate Office Building
Washington, DC 20510

Dear Senator Shelby:

For over one hundred years, the Government Finance Officers Association (GFOA) has led efforts to enhance and promote the financial management of governments for the public benefit. Today our 17,000 members represent cities, counties, towns, states, school districts, and other public entities across the United States.

Throughout its history, the GFOA has consistently encouraged governments to produce financial reports, disclosure documents, and budgets of the very highest quality and to make them readily available to all interested parties. For example, our Certificate of Achievement for Excellence in Financial Reporting Program (Certificate Program), which has been in operation since 1945, requires participating governments to issue comprehensive annual financial reports that go significantly *beyond* the basic requirements of generally accepted accounting principles (GAAP). Currently, more than 3,200 state and local governments participate in the Certificate Program. Moreover, the GFOA encourages governments to make their financial reports and budget documents routinely available on their web site, and links to many of these financial reports and budget documents can be found on the GFOA's web site (www.gfoa.org). Likewise, the GFOA spearheaded the effort that led to the development of the highly regarded *Disclosure Guidelines*, which have become the industry standard for the disclosure of information in connection with the issuance of municipal bonds. As for GAAP reporting, the GFOA literally "invented" GAAP for governments (starting with the release of its first "Blue Book" in 1936), and led the efforts that eventually resulted in the creation of the Governmental Accounting Standards Board (GASB) in 1984. In addition, for decades, the GFOA has taken a leadership role in promoting enhanced disclosure for investors.

Given the openness of the public-sector budget process (e.g., public-access television), easy access to audited comprehensive annual financial reports and detailed budget documents, mandated ongoing financial disclosures for the benefit of the secondary debt market, and mandated material events notifications for investors, the municipal debt market can only be described as having achieved a level of transparency that should make it the envy of its private-sector counterpart. Moreover, a substantial portion of municipal debt is backed by the full taxing power of the issuing governments, making default, for all practical purposes, virtually nonexistent. In light of these facts, we can only express our dismay at SEC Chairman Christopher Cox's recent essentially unsubstantiated assertions that the municipal bond market is somehow "broken" and his proposal to overlay one of the world's safest and most effective markets with a burdensome, costly, and ultimately futile layer of additional regulation.

Specifically, Chairman Cox proposes that the SEC oversee the GASB; that GAAP practices become mandatory; that an independent funding mechanism for the GASB be provided; and that additional disclosure responsibilities be imposed upon bond issuers. Chairman Cox cites a handful of dated anecdotes of questionable relevance to support his extreme proposals, while failing to mention the long-term, fundamental security of the market with a *default rate of less than one tenth of one percent* and a robust customer base.

In his White Paper, *Disclosure and Accounting Practices in the Municipal Securities Market*, Chairman Cox claims that SEC oversight of the GASB is necessary because of “the lack of uniformly applied generally accepted accounting standards [sic] in the municipal market raises significant issues for investors and the market.” In fact, compliance with GAAP among municipal debt issuers is excellent. As noted earlier, participants in the GFOA’s Certificate Program are required to comply fully with GAAP, and to have that fact certified by independent auditors. Currently, more than 73 percent of cities and more than 48 percent of counties with a population in excess of 50,000 participate in the program. For cities with a population of more than 200,000 and for counties with a population in excess of 250,000, participation rates rise to 95 percent and 83 percent, respectively. Of course, total GAAP compliance must be even higher, given that some governments that issue GAAP financial statements (e.g., as often required by state law or regulation) choose not to participate in the GFOA’s Certificate Program.

The Chairman’s proposals can only be described as solutions in search of a problem. Unfortunately, needless regulation is more than a nuisance. The price of an additional costly layer of regulatory bureaucracy ultimately must be borne by citizens, who will suffer from the increased effective cost of borrowing. We think it is noteworthy that a number of Chairman Cox’s anecdotal “poster children” for regulation seem to better demonstrate the need for more effective SEC enforcement action than additional regulation. Accordingly, we suggest everyone’s time would be better spent focusing on how regulatory bodies could better use the tools they already have available to them to rid the marketplace of bad actors and practices.

In closing, it is ironic that Chairman Cox would choose the very moment that the Senate Banking Committee is carefully reviewing the costs and benefits associated with implementing the Sarbanes-Oxley Act in the private-sector, to suggest a major expansion of regulation in the public-sector with no empirical data to support either the need for change or the likelihood that the proposed changes would have any substantial effect (other than to increase the cost of borrowing for state and local governments). Meanwhile, one clear fact remains: money spent on unnecessary regulation is money taken away from essential government services.

We look forward to talking with you and your staff about these important issues at your earliest convenience.

Sincerely,



Jeffrey L. Esser
Executive Director and CEO



Government Finance Officers Association
203 North LaSalle Street, Suite 2700
Chicago, Illinois 60601-1210
312.977.9700 fax: 312.977.4806

September 4, 2007

The Honorable Spencer Bachus
Ranking Member
Committee on Financial Services
United States House of Representatives
B-371A Rayburn House Office Building
Washington, DC 20515

Dear Congressman Bachus:

For over one hundred years, the Government Finance Officers Association (GFOA) has led efforts to enhance and promote the financial management of governments for the public benefit. Today our 17,000 members represent cities, counties, towns, states, school districts, and other public entities across the United States.

Throughout its history, the GFOA has consistently encouraged governments to produce financial reports, disclosure documents, and budgets of the very highest quality and to make them readily available to all interested parties. For example, our Certificate of Achievement for Excellence in Financial Reporting Program (Certificate Program), which has been in operation since 1945, requires participating governments to issue comprehensive annual financial reports that go significantly *beyond* the basic requirements of generally accepted accounting principles (GAAP). Currently, more than 3,200 state and local governments participate in the Certificate Program. Moreover, the GFOA encourages governments to make their financial reports and budget documents routinely available on their web site, and links to many of these financial reports and budget documents can be found on the GFOA's web site (www.gfoa.org). Likewise, the GFOA spearheaded the effort that led to the development of the highly regarded *Disclosure Guidelines*, which have become the industry standard for the disclosure of information in connection with the issuance of municipal bonds. As for GAAP reporting, the GFOA literally "invented" GAAP for governments (starting with the release of its first "Blue Book" in 1936), and led the efforts that eventually resulted in the creation of the Governmental Accounting Standards Board (GASB) in 1984. In addition, for decades, the GFOA has taken a leadership role in promoting enhanced disclosure for investors.

Given the openness of the public-sector budget process (e.g., public-access television), easy access to audited comprehensive annual financial reports and detailed budget documents, mandated ongoing financial disclosures for the benefit of the secondary debt market, and mandated material events notifications for investors, the municipal debt market can only be described as having achieved a level of transparency that should make it the envy of its private-sector counterpart. Moreover, a substantial portion of municipal debt is backed by the full taxing power of the issuing governments, making default, for all practical purposes, virtually nonexistent. In light of these facts, we can only express our dismay at SEC Chairman Christopher Cox's recent essentially unsubstantiated assertions that the municipal bond market is somehow "broken" and his proposal to overlay one of the world's safest and most effective markets with a burdensome, costly, and ultimately futile layer of additional regulation.

Specifically, Chairman Cox proposes that the SEC oversee the GASB; that GAAP practices become mandatory; that an independent funding mechanism for the GASB be provided; and that additional disclosure responsibilities be imposed upon bond issuers. Chairman Cox cites a handful of dated anecdotes of questionable relevance to support his extreme proposals, while failing to mention the long-term, fundamental security of the market with a *default rate of less than one tenth of one percent* and a robust customer base.

In his White Paper, *Disclosure and Accounting Practices in the Municipal Securities Market*, Chairman Cox claims that SEC oversight of the GASB is necessary because of “the lack of uniformly applied generally accepted accounting standards [sic] in the municipal market raises significant issues for investors and the market.” In fact, compliance with GAAP among municipal debt issuers is excellent. As noted earlier, participants in the GFOA’s Certificate Program are required to comply fully with GAAP, and to have that fact certified by independent auditors. Currently, more than 73 percent of cities and more than 48 percent of counties with a population in excess of 50,000 participate in the program. For cities with a population of more than 200,000 and for counties with a population in excess of 250,000, participation rates rise to 95 percent and 83 percent, respectively. Of course, total GAAP compliance must be even higher, given that some governments that issue GAAP financial statements (e.g., as often required by state law or regulation) choose not to participate in the GFOA’s Certificate Program.

The Chairman’s proposals can only be described as solutions in search of a problem. Unfortunately, needless regulation is more than a nuisance. The price of an additional costly layer of regulatory bureaucracy ultimately must be borne by citizens, who will suffer from the increased effective cost of borrowing. We think it is noteworthy that a number of Chairman Cox’s anecdotal “poster children” for regulation seem to better demonstrate the need for more effective SEC enforcement action than additional regulation. Accordingly, we suggest everyone’s time would be better spent focusing on how regulatory bodies could better use the tools they already have available to them to rid the marketplace of bad actors and practices.

In closing, it is ironic that Chairman Cox would choose the very moment that the House Financial Services Committee is carefully reviewing the costs and benefits associated with implementing the Sarbanes-Oxley Act in the private-sector, to suggest a major expansion of regulation in the public-sector with no empirical data to support either the need for change or the likelihood that the proposed changes would have any substantial effect (other than to increase the cost of borrowing for state and local governments). Meanwhile, one clear fact remains: money spent on unnecessary regulation is money taken away from essential government services.

We look forward to talking with you and your staff about these important issues at your earliest convenience.

Sincerely,



Jeffrey L. Esser
Executive Director and CEO